



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Toots Lapata-Victorson, Deputy Director

DATE: May 14, 2004

SUBJECT: Educational Loan Notes

BASIC TRAINING WORKSHOP SUMMARY

The Michigan Guaranty Agency (MGA) conducted a Basic Training Workshop for new financial aid office staff on March 13 at Sacred Heart Major Seminary in Detroit. MGA staff presented information on the following topics:

- Federal Family Education Loan Program (FFELP) Overview, the Role of a Guarantor, and the Bureau of Student Financial Assistance
- Loan Application Processing
- Customer Services
- School Services
- Online Entrance and Exit Counseling
- Information Security
- Default Aversion
- Claims and Collections
- Preparing for Program Reviews



Participants at MGA's Spring 2004 Basic Training Workshop

Workshop participants commented that they found the workshop to be educational and informative. MGA would like to thank Anne Fry, Janice Beers, and Matthew Pop for hosting the workshop at the beautiful campus of Sacred Heart Major Seminary.

Notebooks covering the agenda topics are available to all schools free of charge. To order a notebook, or if you have questions regarding the material covered at the workshops, contact the School Services Unit at 1-800-642-5626, extension 36074, or via email at mga@michigan.gov.

MGA FAX NUMBERS

Schools and lenders are requested to check fax numbers they have on file for MGA. **The fax number (517) 335-6703 is no longer valid.** Following is a list of valid fax numbers:

Program Administration	517-335-6792	Lender Services	517-335-5983
Administrative	517-335-5258	School Services	517-241-0155
Guaranty Services	517-241-0155	Audit/Program Review	517-335-5982
Customer Services	517-335-5983	Claims and Collections	517-335-5982

REGISTER NOW FOR SPRING SCHOOL WORKSHOPS

This is a reminder that MGA's 2004 Spring School Workshops will be held on Tuesday, May 25, 2004, at the Radisson Hotel in Grand Rapids, and on Wednesday, May 26, 2004, at St. John's Golf and Conference Center in Plymouth. Registration and continental breakfast will begin at 8:30 a.m., with the first session starting at 9:00 a.m. Lunch will be provided, and we plan to conclude at approximately 3:00 p.m. As always, there is no cost to your institution for attendance at our workshops.

These workshops offer an interactive format to provide you with the latest information to help you administer federal student loans and other aid programs. The workshops will cover the following topics:

Policy and Regulatory Update

The hot topic in the financial aid industry can be summed up in one word: reauthorization. Congress has begun work on the reauthorization of the Higher Education Act (HEA). This session will inform you about the current reauthorization legislation and will focus on the direction reauthorization may take.

Federal Methodology

Part F of the Higher Education Act specifies the criteria, data elements, calculations, and tables that are used in the computation of the Expected Family Contribution (EFC). Financial aid administrators need a thorough understanding of federal methodology to properly implement their professional judgment. This session will cover the elements used in federal methodology, how these elements are used, and how changing the elements affects the computation of the EFC.

A Closer Look at Consolidation

With the advent of historically low interest rates on student and parent loans, loan consolidation has become increasingly popular. This session will help you in counseling students and parents about Federal Consolidation loans. Frequently asked questions will be answered, guidance and recommendations will be given, and concise explanations clarify the important aspects of Federal Consolidation loans.

Information Security

Identity theft is among the top 20 of the fastest growing crimes in the United States. Identity theft is the acquisition of key personal information used to impersonate someone else – living or dead. This session will cover tips on how to educate students and staff on ways to properly handle and protect sensitive information. This is a hot topic and applies to both your work and personal life.

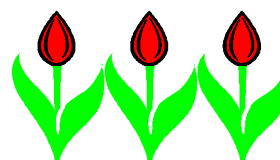
Bankruptcy

What action should the school take if it learns that a borrower's bankruptcy schedule includes a Title IV loan for which some (or all) of the loan disbursements are to be made after the date of filing? What are the different types of bankruptcy? These are just a few of the questions that will be addressed regarding bankruptcy. MGA will provide basic information on bankruptcy, our policy, and the time frames that affect different types of bankruptcies.

Student Borrower Services (SBS) and New Default Aversion Initiatives

MGA partnered with Student Borrower Services in May 2000 to enhance default aversion activities. Michele Anderson from SBS will lead this session and will cover the role SBS plays in MGA's default aversion strategy. Following the presentation by SBS, MGA will share its new default aversion initiatives that have most recently been established to help schools in their default aversion activities.

Registration materials for this workshop were sent via email April 16, 2004. If you did not receive this information, please contact Stacy Cardwell at cardwells@michigan.gov. If you prefer, you can register online by going to our Web site at Michigan.gov/mistudentaid. On our homepage listed under "Upcoming Events" is a link to the online registration form. If you have any questions or concerns regarding registration, please contact Stacy Cardwell at extension 36074. Other questions pertaining to the workshop should be directed to Nancy Vaughn at extension 31871.



WHIZKID 9.0.0 TRAINING ON THE WEB

The Michigan Guaranty Agency, in partnership with Sallie Mae, is very pleased to sponsor a WhizKid® 9.0.0 training opportunity. Rather than the traditional WhizKid workshop, a new **Webcast** training is being developed to allow a larger number of financial aid officers to participate. Participants will dial into a conference call with other WhizKid users and simultaneously log in to a Web site to view training materials. This will allow financial aid officers to ask questions and participate in the training from the comfort of their own offices. The Webcast training is scheduled for **Tuesday, June 22, 2004**. Gaynel Bryan from Sallie Mae will be the trainer.

We invite you to take advantage of this opportunity to learn more about **WhizKid 9.0.0**, which includes:

- **PLUS MPN update**
- **CommonLine version 5 formats**
- **Upgrades to import and print files**
- **Internet email transmission**
- **Loan tracking, edit, and communication capabilities**
- **Reporting enhancements**

An email notice will be sent with additional information on the WhizKid training. **Mark your calendar for June 22, 2004.**

If you have any questions regarding the training, please contact Flora Boles, School Services Unit, at extension 52882, or via email at bolesf@michigan.gov.

CORRECTION – SOCIAL SECURITY DATABASE MATCH

MGA would like to correct information that was inaccurately provided in the Fall 2003 Student Loan Workshop manual concerning the Social Security Number (SSN) Database Match.

On page 32, the Policy and Regulatory Update of the workshop manual states, “In anticipation of the

IRS match, the Department’s policy regarding SSN-match resolution has become more strict. The Department states that, when there is a data mismatch, the data must be corrected before the institution can make a payment to that student. For example, if a female student is newly married and does not inform the Social Security Administration (SSA) of her name change, the ISIR will report a mismatch with the SSA. This student cannot be paid her federal financial aid until her name is changed in the SSA’s database.”

The information contained in the workshop manual was based on information that was obtained at the prior National Association of Student Financial Aid Administrators (NASFAA) conference during a U.S. Department of Education (ED) session. Subsequently, ED determined that they would not be able to initiate the procedure for the next processing year and schools should continue to follow the *ISIR Guide*. Therefore, officially, if the school receives a marriage certificate from the student that will verify the student’s information, then the school can disburse funds to the student.

ONLINE STUDENT LOAN COUNSELING VERSION 3.0

Mapping Your Future (MYF) released Online Student Loan Counseling (OSLC) version 3.0 on May 1. Sponsors and friends will have enhanced opportunities to integrate OSLC into their online loan application systems. A new feature will allow the external system to get student data from OSLC through a form post, thus eliminating the need for students to enter borrower information, references, etc., during both OSLC and the loan application system. In addition, the external system can send a co-branded image so OSLC will have a similar appearance to the loan application process.

MYF currently offers a feature enabling sponsors and friends to integrate OSLC into online financial aid processes and loan applications. The external program can designate the Web address the student will be sent to once they are finished with online counseling. As a result, sponsors and friends can move students from a Web site or online loan application to online counseling and, once the student has completed counseling, return

(Continued on the next page.)

him or her to the loan application or Web site. For the student, the process appears seamless, thus eliminating any confusion on how to return to the loan application or Web site.

Online Student Loan Counseling Version 3.0 offers enhanced customized features for schools, new counseling types, enhanced notification options, and changes to the student form. **Please note that MYF has chosen not to support Netscape version 4.* or below.** To avoid problems and take full advantage of OSLC Version 3.0 functionality, it is highly recommended schools use Netscape Version 7.0 or Internet Explorer version 5.5 or higher.

Some of the features of the new release include:

Enhanced Customization Features

- Questions customization: Schools will be able to select from a list the questions that students will answer during the counseling session. Schools can choose to continue displaying the MYF-selected default questions. If a school wants to use a specific question not on the list, they will be able to submit the question to MYF for inclusion on the list and then select that question for their students to answer.
- Student form customization: The school will be able to customize the student form, either requiring students to complete only those fields that regulations require, or requiring them to complete all fields.

New Counseling Types

- Expanded financial literacy content: Schools will be able to choose standard or expanded counseling for each of the counseling types in which they participate. Standard counseling is the current version, which includes six topics of text with related questions. Expanded counseling will include a seventh topic of financial literacy and money management tips, including building good credit, budgeting, savings, credit card use, and credit reports.
- Combined Stafford and Perkins entrance counseling: MYF will offer a combined Stafford and Perkins entrance counseling session, allowing students to complete Stafford and Perkins entrance counseling in one session and with only one student form. Schools that wish to offer this counseling

type to students will be able to participate in this new counseling *in addition to*, or instead of, the separate Stafford entrance and Perkins entrance counseling sessions.

Enhanced Notification Options

- Separate notifications for each counseling type: The school will be able to register different email addresses to receive notifications for the various counseling types. Unlike the current version, schools will be able to have notification of Stafford entrance sent to one email address, while notification of Stafford exit counseling goes to another address.
- Student comment notification: Schools will be able receive notifications that students have completed counseling on an individual basis, via a batch email on a daily basis, or only when the student enters a comment during the counseling session. Regulations require that schools must be able to respond to students' questions as part of online entrance and exit interviews. Schools currently can access comments in individual confirmation records in the secure Financial Aid Office (FAO) Access Area, on printable confirmation reports, and in individual email notifications. The new option will send notification to the school only when a student includes a comment in the counseling session.

New Fields, Increased Edits, and Validation on Student Form

MYF will add new fields to the student form, as well as using edits and validations so students are more likely to enter valid data, as follows:

- Add an edit/validation to prevent references' addresses from matching student addresses (students already must enter references that do not share the same address).
- Add an edit/validation to prevent students from entering "NA", "na", "N/A", or "n/a" in all reference and next-of-kin fields.
- Remove edit/validation that prevents students address from matching parent or next of kin (the student may be living with the parent/next of kin).
- Change student telephone number field currently labeled "Home or Cell Phone" to

(Continued on the next page.)

- “Primary Phone Number” (required field).
- Add field for “Alternative Phone Number” (optional field).
- Add borrower’s current address fields.
- Add an edit/evaluation for telephone numbers:
 - Cannot be all of one number (e.g., 000-000-0000 or 222-222-2222).
 - Cannot enter area code 555 (does not and will not exist).

For specific technical questions about the next version of OSLC, please contact CariAnne Behr at carianne.behr@mapping-your-future.org or (573) 634-8641. If you have any general questions about the new release, please contact Flora Boles at extension 52882.

COUNSELING CONFIRMATIONS AVAILABLE ON DOCUMENTDIRECT

MGA would like to share information about Sallie Mae’s Spring Release enhancements to **OpenNet^(sm) and OpenNet/NetWizard’s Online Counseling Service**. These latest features include added security to counseling confirmation notices. The implementation date for the Spring Release is scheduled for **May 15, 2004**.

OpenNet Web Loan Delivery (WLD)

- ***Student Loan Counseling***
Student Loan Counseling will be incorporated into OpenNet WLD. This change will utilize convergence interfaces to navigate borrowers through NetWizard counseling and allow OpenNet schools to access the Student Loan Counseling self-service setup in NetWizard Common School setup. This enhancement will fill all NetWizard gaps for Student Loan Counseling functionality and enhance the current functionality by sending confirmations via secure communication.
- ***Application Processing Options Page***
A new Student Loan Counseling Options section will be added to the Application Processing Options setup to signify a school’s preference to force borrowers through entrance counseling prior to completion of their Web application. Schools will be able to:
 - Force entrance counseling and tie it to application processing for

borrower-initiated and school-initiated flows.

- Offer stand-alone entrance, exit, annual MPN, and graduate counseling.
- ***Profile setup***
Schools will be able to setup one profile selection for the Borrower-Initiated process and one profile selection for the In-Progress (School-Initiated) process.

Online Student Loan Counseling

- The header, “OpenNet NetWizard” will be replaced with the “OpenNet” header for all counseling products. This includes entrance, exit, annual MPN, and graduate counseling. Individual confirmation option will be removed.
- Counseling confirmation reports will be available through DocumentDirect (DDI). An email message will be generated to view counseling confirmation reports for each counseling product. DDI will generate and distribute **secure** counseling confirmation reports to schools and guarantors in lieu of sending information via unsecured emails.

The secure email will be generated each time a new report is available on DDI and will contain only a link to the DDI site. The secure email notice will apply to both **OpenNet and OpenNet/NetWizard schools**. Schools can choose how often emails are generated from the following options:

- Once daily
- **Twice daily (new option)**
- Weekly
- Bi-weekly
- Monthly
- **DDI access will be needed for each school or branch in order to obtain counseling confirmations.** The Counseling Confirmation Reports will contain the same information as prior individual emails with a page break inserted for each borrower. The reports will be “read only” with a “find capability” when searching for a specific student. Schools will be able to download the reports to WordPad, Excel, Access, etc.

(Continued on the next page.)

- **The viewable counseling reports for schools on DDI are:**
 - SLCCGEXS – Graduate Exit Comma-Delimited
 - SLCCSENT – Entrance Comma-Delimited
 - SLCCSXIT – Exit Comma-Delimited
 - SLCRGEX – Graduate Exit Report
 - SLCRSENT – Entrance Report
 - SLCRSMPN – Annual MPN Report
 - SLCRXIT – Exit Report

All counseling reports will remain on DDI for **21 days**. Reports may be recalled on DDI for up to two years. DDI automatically sends an email notification about confirmation data to both the school and the appropriate guarantor simultaneously. MGA will retrieve exit counseling information as required by regulation.

If you have any technical questions about these enhancements, please call Sallie Mae Electronic Services at 1-800-348-4606. For general questions, contact Flora Boles at extension 52882, or at bolesf@michigan.gov.

STATE OF MICHIGAN EMAIL ADDRESSES

Beginning in July 2001, the State of Michigan transitioned email addresses from username@state.mi.us to username@michigan.gov. The original email addresses were kept active to prevent interruption in email delivery during the transition.

To reduce email spam, mitigate virus risks, and improve efficiencies, it is necessary to complete the move to "michigan.gov" email addresses. Therefore, on Tuesday, May 18, 2004, email sent to username@state.mi.us will no longer reach its destination and will be returned to the sender as undeliverable.

NEW FEDERAL CONSOLIDATION APPLICATION AND PROMISSORY NOTE NOW AVAILABLE

The new Federal Consolidation Loan Application and Promissory Note and all its related forms are now available at MGA. Lenders and lender

servicers can order the new forms online at http://www.salliemae.com/forms/mgaSupplies_form.asp.

ED has mandated that the new forms must be provided to borrowers beginning June 1, 2004. Lenders and lender servicers may, however, process the prior version of the Consolidation Loan Application and Promissory Note, if that form is received after June 1, 2004. Other information regarding the new forms was published in the [December 2003](#) edition of *Educational Loan Notes*.

If you have any questions regarding this matter, please contact Betty Calloway at extension 39639, or via email at callowayb@michigan.gov.

ED ISSUES FURTHER CLARIFICATION ON CONSOLIDATION LOANS

ED has issued a Dear Colleague Letter (DCL) dated April 29, 2004, with further clarification on a March 15, 2004, letter to the National Council of Higher Education Loan Programs, Inc. Both letters concern FFELP Consolidation loans for borrowers with both FFELP and non-FFELP loans. A copy of each letter is attached for your review.

The March letter was worded in a way that left room for more than one interpretation. ED states in the April DCL that the March letter only addressed those cases in which a borrower has both a FFELP loan held by a single FFELP holder and one or more non-FFELP loans. In that situation, a borrower seeking a FFELP Consolidation loan must obtain a loan from his or her current FFELP holder and must include at least one FFELP loan in the consolidation. ED goes on to explain in the April DCL, "... any situation outside of this specific scope would not be affected by the original guidance letter."

The April DCL also announces that ED is extending the cutoff date noted in the March letter, from May 1, 2004, to September 1, 2004, to avoid any harm to borrowers who may have recently applied or are in the process of applying for a FFELP Consolidation loan.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639, or via email at callowayb@michigan.gov.

ED REMINDER TO LENDER SERVICERS

ED recently released *NSLDS Technical Update GA-2004-05* which advises guarantors to remind lender servicers who service their own loans that they must report both their lender code and servicer code when reporting loan information to the National Student Loan Database (NSLDS). This action will ensure proper tracking of loans and distinguish self-serviced loans from loans serviced for other lenders.

ED is also instructing lender servicers to report all zeros in both the **Code for Servicer** and the **Date of Servicer Responsibility** fields for loans they no longer service. Other information is provided in the attached copy of the *NSLDS Technical Update GA-2004-05*.

If you have questions regarding this matter or other NSLDS-related issues, please contact Betty Calloway at extension 39639, or via email at callowayb@michigan.gov.

THE “ED” PIPELINE

Following is a description and link to one of the most recent ED correspondence for schools and lenders.

Dear Partner
April 2004
FP-04-05

Clarification on FFEL Consolidation loans for borrowers with both FFEL and non-FFEL loans.

LENDER LIST UPDATES

School personnel should record the following actions on the “Participating Lender List” dated January 26, 2004. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

Joined Referral Program

The following lender has joined the Standard Federal referral loan program. Their address is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone number: 800-755-7858.

222017 Lakes Community Credit Union

Telephone Number Change

ARC Credit Union, 827371, has a new area code. The correct telephone number is 586-773-9112.

SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA’s “Active Michigan School List” dated January 23, 2004. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

Contact Name Change

Baker College, Allen Park, 004673-17
Shannon Flagler, Assistant Director, is the main contact for the Allen Park campus. Shannon’s telephone number is 313-425-3728, and her email address is shannon.flagler@baker.edu.

Title Change

University of Detroit Mercy School of Law, Detroit, 002323-00
Denise Daniels is now the Assistant Director.

Telephone Number Change

Olivet College, Olivet, 002308-00
Douglas Gilbertson’s telephone number is 269-749-7102.

Email Change

Bay de Noc Community College, Escanaba, 002240-00
Sue Hebert’s new email address is heberts@baycollege.edu.

Blue Water College of Cosmetology, Marysville, 037043-00
The updated email address for this institution is bluewatercollege@sbcglobal.net.

University of Detroit Mercy, Detroit, 002323-00
Jenny McAlonan’s email address is mcalonJL@udmercy.edu.



“Q” AND “A”

Our school has a student who is applying for a Stafford loan. On NSLDS, the student is listed as having a loan in default. The student has produced a letter of good standing from MGA; can we now certify a loan for this student?

MGA issues two types of good standing letters. In order to certify a new loan, you must have received a good standing letter that states, “Our agency does not object to the approval of additional Title IV financial aid at this time.” The financial aid office must also make sure that the letter provided by the student is a current letter.

The second good standing letter that MGA can send to a borrower specifically states, “This letter is not to be used for reinstatement of eligibility for Title IV financial aid.” With this good standing letter, the school may not certify a loan for the student.

We have a student who is requesting a new loan. In addition to having defaulted loans flagged on NSLDS, this student also has a Perkins loan from another institution that is in default. Does correspondence from MGA stating the borrower is eligible for further Title IV financial aid clear the defaulted Perkins loan, and can we certify a new loan?

No, correspondence from MGA concerning the status of a borrower’s defaulted loan(s) only refers to those loans that were guaranteed by MGA. You may verify if MGA has guaranteed a borrower’s loan by referencing NSLDS. On NSLDS, you can view a list of individual loans a borrower has received. One of the informational fields of a loan may contain a “GA:” field. This field refers to the guaranty agency that has guaranteed the loan. If the “GA:” field reads “Michigan Higher Education Assist. Auth. – 726,” then it is an MGA-guaranteed loan. Our correspondence would only refer to these loans.

The good standing letter our school received contains a reference to loans that begin with “MI” and then numbers. What is this number, and to what loans does it refer?

The MGA good standing letter that approves additional Title IV financial aid will always include an “MI” number. The letter states: “For NSLDS identification, the following loans meet this eligibility requirement: MI-xxxxxxx.” This is the number MGA uses to identify each of the borrower’s loans. The MI-xxxxxxx number can be located on NSLDS by selecting an MGA loan and clicking on the “Loan Detail” button associated with that loan. After this is done, that particular loan’s “Detail for Loan” screen will open. The field on this screen that is used to match the MI number is labeled “Data Provider Loan ID.” If the “MI” number on the good standing letter matches the “Data Provider Loan ID” field, then that individual loan is considered to be in good standing.

If a borrower has multiple MGA loans in default and has only made satisfactory payments on one of the loans, will a good standing letter be issued for that one loan?

Good standing letters from MGA on MGA-guaranteed loans that give eligibility for additional Title IV financial aid are only issued for a borrower’s entire account. A borrower can not receive a good standing letter until all the defaulted MGA loans have met the good standing criteria.

A student came into our office stating that he was eligible for Title IV financial aid, but had misplaced the letter sent to him by MGA. Can we request a copy of that letter be sent to our office?

A school can not request a good standing letter for a borrower. However the borrower, when making a request to MGA for a copy of the letter, can have that letter faxed to a school’s financial aid office. In this case the borrower can call 1-800-642-5626, extension 55053 and request a copy be faxed to the school. Please make sure that you provide the borrower with the fax number to your office.

Calendar of Upcoming Events

May 2004

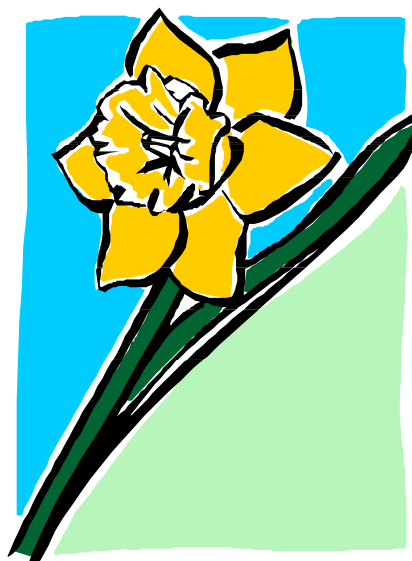
- 20-21 Michigan Credit Union League
Annual Convention and Exposition
Marriott Renaissance Center
Detroit, Michigan
- 25 Spring School Workshop
Radisson Hotel
Grand Rapids, Michigan
- 26 Spring School Workshop
St. John's Conference Center
Plymouth, Michigan
- 31 MGA Office Closed

June 2004

- 8 Mapping Your Future Daytime Chat
Loan Consolidation
- 15-18 Michigan Bankers Association
Annual Convention
Mackinac Island
- 22 WhizKid Webcast Training
- 27-30 MSFAA Summer Conference
Shanty Creek
Bellaire, Michigan

July 2004

- 5 MGA Office Closed
- 18-21 2004 NASFAA Conference
Hilton Minneapolis
Minneapolis, Minnesota



If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.

LOAN NOTES

May 2004

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Publication Date: April 29, 2004

DCL ID: FP-04-05

Federal Family Education Loan (FFEL) Consolidation loans for borrowers with both FFEL and non-FFEL Loans.

Posted on 04-30-2004

April 29, 2004

FP-04-05

SUBJECT: Federal Family Education Loan (FFEL) Consolidation loans for borrowers with both FFEL and non-FFEL loans.

REFERENCE: Section 428C of the Higher Education Act (HEA).

Dear Colleague:

On March 15, 2004, the Director of the Office of Postsecondary Education's Policy and Budget Development Staff wrote to the National Council of Higher Education Loan Programs (NCHELP) in response to inquiries from the lending community about the rules governing loan consolidation in the FFEL Program. That letter, a copy of which is attached, stated that in instances where a borrower had one or more FFEL loans held by a single FFEL holder and also non-FFEL loans, the borrower could obtain a FFEL Consolidation loan only from that single FFEL holder. The purpose of this letter is to provide further clarification for the entire higher education community.

The letter of March 15 addressed only those instances where a borrower has both (1) a FFEL loan(s) held by a single FFEL holder, and (2) one or more non-FFEL loans. In that situation, pursuant to section 428C(b)(1)(A) of the HEA, 20 U.S.C. 1078-3(b)(1)(A), and the FFEL Program regulations at 34 CFR 682.201(c), a borrower seeking a FFEL Consolidation loan must obtain such a loan from his or her current FFEL holder and must include at least one FFEL loan in the consolidation. However, if the borrower certifies that he or she has sought and has been unable to obtain a consolidation loan from that FFEL holder or is unable to obtain a consolidation loan from that holder with income-sensitive repayment terms, the borrower may obtain a FFEL Consolidation loan from another FFEL lender. In that case, again, the borrower must include at least one FFEL loan in the consolidation. Alternatively, a borrower may obtain a Federal Direct Consolidation Loan from the Department of Education if the borrower's non-FFEL loan(s) include a Direct Direct Loan and the borrower selects at least one Direct Loan for consolidation.

The letter stated that we would not deny reinsurance for FFEL Consolidation loans that do not comply with the interpretation stated in that letter as long as all loan verification certificates were sent to the loan holders by May 1, 2004. It is important to note that eligibility for reinsurance is significant not only for the FFEL lender, but also for the borrower because reinsurance governs eligibility for certain borrower benefits. In light of the added clarification provided in this letter and to avoid harm to borrowers who may have recently applied or are in the process of applying for a FFEL Consolidation loan, we are extending the cutoff date noted above from May 1, 2004, to September 1, 2004.

We hope that this clarifying information is helpful.

Sincerely,

Sally L. Stroup
Assistant Secretary
Office of Postsecondary Education

Attachment: Letter to NCHELP

Attachments/Enclosures:

[Letter to NCHELP in PDF Format, Size 54KB, 1 page](#)



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

MAR 15 2004

Mr. Brett E. Lief
President
National Council of Higher Education Loan Programs, Inc.
801 Pennsylvania Avenue, S.E., Suite 375
Washington, DC 20003

Dear Mr. Lief:

We have received inquiries recently asking if a borrower who has both Federal Family Education Loan (FFEL) Program and non-FFEL loans could obtain an FFEL Consolidation loan that would consolidate only the borrower's non-FFEL loans. Because of these inquiries, we are providing information to you that we hope will be helpful to your membership.

Some FFEL lenders appear to have advised borrowers that non-FFEL loans can be consolidated into an FFEL Consolidation loan without an FFEL loan being included in the consolidation. These types of consolidations are not authorized under section 428C(b)(1)(A) of the Higher Education Act of 1965, as amended (HEA). Section 428C(b)(1)(A)(i) of the HEA provides that a lender may "make a consolidation loan to an eligible borrower (on request of that borrower) only if...the lender holds an outstanding loan of that borrower which is selected by the borrower for consolidation..." FFEL lenders do not generally hold the types of eligible non-FFEL loans that are listed in section 428C(a)(4) of the HEA. Thus, this requirement cannot be met if the borrower is only consolidating non-FFEL loans.

To avoid harm to borrowers who may have recently applied for FFEL Consolidation loans based on incorrect advice, the Department will permit those loans to be made, even if they are composed solely of eligible non-FFEL loans, as long as the loan verification certificates were sent to the loan holders prior to May 1, 2004. Any such consolidation loans made based on loan verification certificates sent on or after May 1, 2004, will not be insured under the FFEL program.

I trust this information will be helpful to your membership. Please contact me if I can be of further assistance.

Sincerely,

David Bergeron

Director

Policy and Budget Development Staff
Policy, Planning, and Innovation



**United States Department of Education
Office of Federal Student Aid
National Student Loan Data System**

**Code for Servicer
Technical Update GA–2004–05**

April 19, 2004

This information is intended for the person in your organization who is responsible for working with NSLDS. If that person is not you, please forward this update to the appropriate person.

Code for Servicer

The U.S. Department of Education would like Guaranty Agencies to remind lender servicers who service their own loans that they must report both their Lender Code and Code for Servicer when they report detailed loan information to the National Student Loan Data System (NSLDS). This will ensure proper tracking of loans and to distinguish self-serviced loans from loans serviced for other lenders.

If the lender servicer no longer services a loan, they should report all zeros in both the Code for Servicer and the Date of Servicer Responsibility fields.

The corresponding field definition from the *Guaranty Agency Data Provider Instructions* (GA DPI) is attached. For detailed data provider instructions, refer to the GA DPI posted on the Information for Financial Aid Professionals (IFAP) Web site at <http://ifap.ed.gov>.

If you have any questions, please contact the NSLDS Customer Service Center at (800) 999-8219 or e-mail nslds@pearson.com.